

# Fatawa Insurance 2004

## Life and Other Insurance Contracts/Policies

**SUBJECT: life insurance**

From: Yasir

Sent: Tuesday, November 02, 2004 1:17 AM

To: 'monzer'

Salam Dr. Kahf

I pray all is well there.

I was thinking of taking out a life insurance policy that would have a \$50K payment to my wife in case of my sudden death. This is also the max limit I can do that is tax-deductible. Is this Halal? If not, what alternatives are there?

yasir

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Son Yasir,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I suppose you are going to buy a term life insurance, thru the company. Term life insurance is permissible. If it is what is called whole life, it then has certain problem of interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: RE: question on insurance**

From: Hossam

Sent: Wednesday, November 10, 2004 4:42 PM

salamu aliukum Dr Monzer

I hope you are having a blessed ramadan insha allah.

I wanted to ask you a question: is it permissible to purchase insurance for items such as telephones and so on. They are often an option that you can purchase from various stores. they allow you to return the phone (or replace the item) within a certain amount of time (1-3 years) if something goes wrong with it. Please advise

Thanks, Hossam

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Hossam,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

When you purchase such an insurance and/or maintenance agreement along with the purchase of the item from the seller of the item, it is permissible according to majority because it become a part of the sale and an increment in the price for the warranty (although extended) of the item that is essentially the responsibility of the seller any way. When you buy such a contract separately (not along with purchase) or from other parties, it is also permissible in my view because it is insurance that does not contain Riba. And I believe insurance is permissible. This is the view of a minority (though a wise one) led by the late Shaikh Mustafa al Zarqa.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Health and life insurance and stock options**

From: Habib

Sent: Saturday, August 07, 2004 11:46 AM

Dear Br. Dr. Monzer,

Could I kindly ask you to help with your insights into the following 2 questions, may the Almighty reward you amply:

1- Medical and life insurance: I live and work in the UAE. My company has a group insurance policies with ALICO for the employees and their family members whereby ALICO reimburses our medical expenses as well as give us a life & disability insurance. Is the medical refund we receive Halal and is this type of life insurance Halal?

2- Stock options: The company I work for is a global food firm. Whilst in the UAE its commercial activity is Halal, it is selling pork in other parts of the world as part of its portfolio of food items, further the company may earn interest on positive cash flow.

My contract with the company does not oblige it to give me stock options, however, as a mean of retaining employees and an as an incentive the company does offer me stock options. As you are probably aware how this works, the stocks would appreciate over time and once they are vested the employee can sell them and benefit from the amount by which the stocks appreciated. The company actually terms it this way:

The employee can buy the stocks at a fixed price after a number of years, which technically means the employee buy these stocks the same day he sells them and the principle would go back to the company.

Obviously the company could have bought (or reserved these stocks) for the employee through a bank loan. My question is it Halal for me to accept the amount by which the stocks appreciate as a pure financial operation (a company reward) and to do about the fact that part of it is due to non Halal activity (i.e., Selling pork or earning interest on deposits).

May the Almighty bless you.

My Answer,  
Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Br. Habib

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

- 1 - Insurance is permissible when it is not based on interest. Health insurance and term life insurance are not interest-based. They are permissible and the refund you get from the insurance company for medical bill is permissible. There are people who argue that insurance (of all kinds) is not permissible on the ground that it is similar to gambling, it contains interest or it contains a level of uncertainty that is not tolerable. I think their argument is weak and based on misconceptions about what insurance is.
- 2 - Employee stock options are, under normal circumstances permissible (unlike stocks options that are in the market under the category of derivatives. But if it is only a small portion (say around 10% of total transactions, total sale or total revenue, it is permissible to buy/sell its stocks provided that you estimate the percentage out of the gain you make out of this option that is attributable to the prohibited sale/transactions and give it away to Muslim charity.

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

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**SUBJECT: Car Insurance**

From: Islam on line

Sent: Monday, July 26, 2004 6:06 AM

Question

Asalaam aleikoum dear scholars, In October of 2003 a car damaged my car at the right side and went off. I called the police for proof and around February 2004 I got the form which I sent to my insurance. A special foundation gives money for cases where the driver takes off. In the mean time I didn't repair the damage. I still didn't receive any letter stating I have right on money from that foundation. A few months later when I was parked another car hit me on the left side of the car. We filled in the forms and a police officer came. I also send this form to my insurance. My insurance told me to go to a garage and to make taxations on the damage. This had to be independently because right side damage is for foundation and left side is regular. The mechanic of the garage told me that to make the car look original by removing the damage of the right side he has to do the whole bumper. Total costs approximate 600 Euros. He made a taxation order of 600 Euros for the right side, the damage-expert who also came agreed. For the left side, to make the car look original he also has to do the whole bumper so this damage was approximate 400 euro's. So the damage of the bumper coincides. Although the damage of the left side is much smaller, to make it look original he has to paint the whole bumper and if you only paint that piece you will probably have a thicker and a thinner layer. If I had made the damage of October sooner, the damage of the left side would have been 400 Euros. The insurance needed two independent taxations which were approx. 600 and 400

Euros. I got approx. 1000 Euros. People tell me that we live in their country and if I had hit them they would never had let me go, so we have to respect their rules. But have I done something wrong? I know in Shari'ah if you for example hit someone by car and his hand gets injured you have to pay money for the hand oe allahoe a3lam. Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Car insurance is permissible in Shari'ah, more so, especially, when it is obligatory.

Car insurance is meant for payment for repair and liability. Therefore it is also permissible to take the compensation, according to the rules of the insurance contract, up to the limits of the damage. What you've done is normal and the bumper must be repaired and painted by either of the two parties. It makes no difference whose hit came first.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Property Distribution**

From: Yusuf

Sent: Wednesday, May 26, 2004 8:28 PM

Assalamu-Alaikum Br. Monzer Kahf

It was a short but valuable meeting at IMO, Toronto last year with you.

My father in law has passed away leaving some real estate, car and Life Insurance.

He has 3 children out of his first marriage (2 daughters married and 1 son

(25 yrs) unmarried) and one son (11 yrs) out of second marriage and step mother.

He has left some debt with banks as well? There was 30K Ruppees cost of his last medical bills and funeral. How should the distribution take place according to Islamic law?

I would appreciate if you may be able to give me some direction in this matter.

Wassalam,

Yusuf

My Answer

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Yusuf

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

You stated that the deceased left 2 sons and 2 daughters. He also left a step mother.

He owed some debts to a bank and accumulated medical and funeral bills along with

some properties (real estates, car and life insurance). THERE ARE NO OTHER RELATIVES.

The step mother has no share in the estate of the deceased. But before any distribution, debts to the bank and unpaid bills must be settled either by payment or waiver, even if some real estates have to be sold for that purpose. The balance, left after debts and bills, should be distributed as follows: 1/6 for each daughter and 1/3 for each son. Age does not influence the distribution.

The life insurance may be treated differently if the deceased had determined the beneficiaries. If he did, the assigned beneficiaries may take their assigned shares as per the life insurance contract. This different treatment is caused by the fact that proceeds of the policy were not owned by the deceased and they rather are due to the assigned beneficiaries from the insurance company only after his death. If there is no assignment the proceeds must be then added to the estate.

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

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## **Annuities**

### **SUBJECT: Annuities**

From: housam Sent: Thursday, December 02, 2004 12:01 PM

To: monzer@kahf.com; hsoukieh@insightbb.com

dear dr. kahf:

alsalam alekum

I would appreciate it if you can give me the Shari'ah opinion regarding these types of annuities:

- 1- It is called "immediate life annuity with survivor and certain period": it is contract between the individual (annuitant) and an insurance company. The annuitant agrees to pay the insurance company a single payment and the insurance company agrees to pay the annuitant a monthly income/salary (calculated on the bases of the amount paid and the annuitant age and life expectancy) starting within one month of the contract and last for the rest of the annuitant life. If the primary annuitant dies then the payment are continued to the rest of the life of the secondary annuitant (spouse). there is also a certain period of 20 years, during which if both annuitants died before the end of these 20 years then the payment are continued to a specified beneficiary up to the end of these 20 years. Once the contract signed and became in effect you can not get your money back also there is no repayment of principle or any lump sum payment in case of death or reaching a certain age or after x numbers of years. it is basically just an insurance of a stable income as long as you live or your spouse lives.
- 2- The other type is similar to number 1 except that the contract is between the individual and a charitable organization, and the payment the annuitant gives initially is considered a charitable gift. So on top of the monthly income, the annuitant get tax deduction advantage for the charitable gift on a yearly basis.
- 3- The third type is called "equity indexed annuity". Equity-indexed annuities guarantee customers a minimum interest rate (often about 3 percent) while

offering the potential of higher rates by tying your return to an index like the Standard and Poor's 500.

While it's a lot like investing directly in the stock market, customers don't get the full boost of a rising market. With equity-indexed annuities, the money put down by purchasers isn't invested directly in the stock market. Instead, customers are offered a percentage of how much the index gains over a period of time (not including dividends, which accounted for about 30 percent of the total return of the S&P 500 for the last 20 years), and a guaranteed minimum return if the stock market declines.

Thank you much  
housam

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Br. Housam,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am sure that by now you can make a good judgment on any such instruments. You notice that in all of them interest is the core of the deal. they are all interest based and consequently prohibited.

There is an insurance policy, offered by most of the companies, that invests your asset in the stock market, a choice of funds, and this may be permissible if you choose funds that have the least interest involved companies and apply the cleaning principle. by estimating the percentage related to interest if the final outcome of the policy and give it to charity (making a charity a beneficiary of such percentage.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Retirement plans and insurance**

From: Eric

Sent: Sunday, February 22, 2004 7:26 PM

To: monzer@kahf.com

asalamu alaikum,

this is Eric Farouq Sanchez. I was wondering if you can help me with my retirement plan. I am currently working for the government agency is customs and border protection.

I have the retirement called FERS and TSP. and right now I wanted to know if I was able to put 14% into my retirement and the government matches up to 5%. and there are certain kind of funds you can go into. the one I wanted to go into was this one called the c fund, which is the one that is the least stable one you can say. so InShaAllah brother or sister, if you can please send me information on where or if I am able to do what I would like to do. insha-ALLah you can reach me at farouq19@hotmail.com.

thank you brother/sister.

asalamu alaikum  
eric

My Answer,  
Bismi Allahi al Rahmani al Rahim,  
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina  
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,  
Dear Br. Eric

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

It is permissible to contribute to retirement plans, individually and/or through employers' plans like 401K or FERS and TSP and to get the benefits of the matching funds and the saving for retirement.

IRA can be invested with mutual funds that are compatible with the Shari'ah such as the Dow Jones Islamic index fund (IMANX) but employers' funds have only a few contracted funds and they do not offer other funds.

What you need to do is: 1) try to get the Islamic funds approved by the managing committee of your plan; 2) select, from available funds in the plan those that have the least transactions and holdings in bonds and non permitted stocks such as stocks of banks, insurance companies, entertainment buz., etc. and 3) when you liquidate, at retirement, you estimate the percentage of all the increments (dividends and capital gains) during all the period that resulted from non-permitted investments in these funds and give an equal percentage to Muslim charities of every amount you withdraw. This is needed to keep clean off the Haram your own Halal money.

Please brother, if I can be of any help to you at any time do not hesitate to contact me by email or otherwise as all my contact are listed on my website.

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

## **Working for Commercial Insurance Industry**

### **SUBJECT: Working for Commercial Insurance Company**

From: Islam on line

Sent: Sunday, September 05, 2004 3:22 AM

Name of Questioner Nafees Gender Male Age 21-30

Education Graduate

country of Residence United Kingdom

Question

Dear respected scholars in Islam Assalamu Alaikum, May Allah reward you and Islamonline for you efforts in propagating the true message of Islam. Would it be permissible for me to work for commercial insurance company where: a) the majority of its income through car insurance b) the work is not directly related to the insurance process but the security of the organization's IT infrastructure I ask this question as I am going for an interview for such a company soon and do not want to earn Haram income. JazakAllah Khair.

Notes

I note that there are two views represented on the Islamonline website (i.e. that of Br. Monzer Kahf and that of other respected scholars) – this has left me slightly confused as I am not able to determine which opinion is more correct. I would appreciate it if you could touch upon this issue in your answer. JazakAllah Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Nafees

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I certainly tell you that my view is more correct, but I still respect the other opinion.

The argument in this regard is endless and this is of course normal and rather healthy! It is obviously your own judgment and heart that can decide for you.

I believe that insurance, if void of interest in the contract, is permissible as there is no reason for its prohibition. The arguments of gambling and gross uncertainty fall apart and do not stand any analytical scrutiny, and those who do not understand the complexity of contemporary life and transaction still think that they can live without insurance, at the time that it has become an indispensable part of life to the extent that almost all countries made certain kinds of it (car and other liability) obligatory by law.

On the other hand, insurance companies heavily invest in interest-based bonds and other financial instruments. This exposes a segment of their employees to be in the area of making Riba contracts. Accordingly, if your specialization is, as you said in the IT department, I see no reason why there should be any doubt about the permissibility of your work and your income from it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Grandfather Working as a Manager in an insurance Company**

From: Islam on line

Sent: Monday, October 04, 2004 8:07 AM

Name of Questioner mahtaab Gender Female Age 21-30

Education Post Graduate

country of Origin Mauritius country of Residence Mauritius

Question

Respected Scholars assalamualaikum wa rahmatullahi wa barakatuhu actually my grandfather worked as a manager in an insurance company. He used to give me many things and me i know that working in an insurance company is not allowed in Islam, thus the salary becomes Haram. now he has given me many gold jewels, i never wore them but just kept them. one friend told me i can not sell the jewels and use the money for charitable purposes. What i want to know is, if I want to sell those jewels with the money can I buy books with it. I thank you beforehand for your answer and may Allah Almighty help you in your task.



Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr. Mahtaab,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Insurance is controversial. It is not agreeably nor unanimously prohibited. This is on one hand;

and on the other hand, working in insurance is not prohibited unless the worker sign on behalf of the company or as a witness insurance contracts that involve interest. Normally all kinds of insurance do not involve interest except for one kind of live insurance (which is however the most common kind!). It is the opinion of the great majority or respected scholars including Shaikh Siddiq al Darir of Sudan, Al Mukhtar al Sallami of Tunis, the late Mustafa al Zarqa of Syria and al Qaradawi of Egypt (in fact all of them belong to the whole Muslim Ummah not to their countries of origin), that working in conventional banks is permissible as long as one does not write or be a witnessing signatory to an interest-based contract (i.e., such as working as a teller or in the public relation, personnel or IT depts.). The justification for this Fatwa is two folds: 1) There is no acceptable reason to expand the Wrath of God that is mentioned in the Hadith on the taker of Riba, its giver, its writer and its two witnesses, to other people around these four; and, 2) prohibition of such kinds of jobs impose hardship on Muslims individuals by slashing away substantial portions of the job market in any country and the Rule in Shari'ah is that hardship must always be removed, keeping in mind that the prohibition of interest is systemic in contrast to the prohibition of theft or adultery that is essentially moral, Consequently, working in insurance companies is not Haram and the income from such work is not Haram either.

Additionally, if someone has an income from Haram, the Shari'ah does not require us to boycott her/him. In other words, it is still permissible to make all kinds of permissible transactions with such a person! This may be surprising to you but it is the fact. We are not required to boycott such a person but in fact it is permissible to sell him/her bread and other food, cloth, rent properties accept invitation for a dinner and even exchange gifts. I am aware of the idea that call for avoiding all these relations. But one must notice that they are based on preference only, i.e., on Taqwa on on specific Shari'ah rulings.

My conclusion is that all the gifts your grandfather gave you are Halal for you and you can use them, wear them, sell them and enjoy the money you get from it and give them as a charity or Zakah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Working as an Actuary in an Insurance Co**

From: Islam on line

Sent: Tuesday, October 12, 2004 6:28 AM  
Name of Questioner Khalil Gender Male Age 21-30  
Education Post Graduate  
country of Origin Morocco country of Residence France  
Question

Assalamu `alaykum, Can a muslim work as an actuary in a non profit insurance company, although, interest rate are using during calculation of premiums? Jazakum Allah kheiran!  
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in  
Dear Br. Khalil,  
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, it is permissible to work as an actuary in a non-profit insurance entity. Is it a company or a cooperative? What do you mean by its being a non-profit?  
Actuaries make studies and plans and propose policies, premiums and adjustments in practices they do not make insurance contracts. It is prohibited to make an interest-based contract including typing and signing it even if it is done on behalf of an employer. If this non-profit invest its cash on interest basis, it is also prohibited for a Muslim to make these interest-based contracts.

What is prohibited in interest is to make any increment in debts / loans between persons/entities. It is not prohibited to use certain interest rate as a reference in calculation of any other thing. Islamic banks use the prevailing interest rate is determining the rate of mark up in the permissible Murabahah transaction; otherwise they will fail in a market that is dominated by interest-based banks!

Wa Allahu A'lam  
Wa Alhamdu li Allah Rabb al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf

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**SUBJECT: Working for an Insurance Company**

From: Islam on line  
Sent: Sunday, October 17, 2004 4:31 AM  
Name of Questioner LAMIS Gender Female Age 31-45  
Education Graduate  
country of Origin Palestine country of Residence United States  
Question

Salam I have been offered a job in an insurance company I needed to know if it is Halal to work in this field or is it against our religion. Keeping in mind it is the law here to buy insurance before registering any cars or houses in ones name. Thank u  
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim  
Al Hamdu li Allah Rabb al 'Alamin  
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi  
Ajma'in

Dear Sr. Lamis,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

In the US, it is the law to have liability insurance before you register a car to your name but o the best of my knowledge house insurance and car comprehensive insurance are not obligatory.

I stand on the Side of the Scholars who find nothing prohibited in insurance provided it is not interest-based. In other words, the prohibition comes from Riba rather than insurance itself.

Car, transport, business and house insurances are normally not interest based. The kind of life insurance that is based on interest is the part of a whole life that gives you a right to the policy value after a given number of years. If you avoid selling this and any other policy that is based on interest, it is permissible to work in an insurance company.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: accepting out-sourced accounting from an insurance Company?**

From: Islam on line

Sent: Wednesday, August 11, 2004 12:34 AM

Name of Questioner Zameel Gender Male Age 21-30

Education Post Graduate

country of Origin Sri Lanka country of Residence Sri Lanka

Question

Assalaamu Alaikum, My Job is Accounts Associate in a BPO (Business Process Outsource) company under an Insurance Company Project (Norwich Union). Tasks are basic accounting activities which do not involve decision making but data processing. Most of the product of this insurance company has an interest clause. Is it Haram to work for this project? If I say no I have to leave the job. But do not hesitate to tell me if it's even doubtful. Jezakallah!!!

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Zameel

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Most scholars consider recording the accounts of Riba as part of writing it. Writing it is prohibited.

On the other hand, it may strongly be argued that writing the accounts, after contracting, is not part of writing the Riba contract because the Hadith talks about writing the contract by virtue of the fact that it adds the two witnesses (The Wrath of

God is on the taker, the giver, the writer and the two witnesses). I personally go along with the second view but it doesn't mean that the matter is not doubtful!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: working for life insurance company**

From: Azmi

Sent: Friday, July 30, 2004 4:51 AM

Name Azmi - Sri Lanka

Profession Accounts

Question

Assalaamu Alaikum!

I am into accounting profession. I am working for BPO (Business Process Outsource) company in Sri Lanka. Our company does outsourcing for many UK co. The latest project we got was from an insurance company (Norwich union). So I am supposed to work under this project which outsources accounting activities (no decision making - only data processing). I want to know weather working under this project is Halal? If I reject this they said I have to leave the job. Please let me know.

NOTE : Norwich Union Also have many other products, such as travel guide, general insurance, fund management, etc.

May Allah grant jannath for your service, I want to know this on or before august 1st.  
Wassalaam

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Azmi

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

There are people who believe insurance is not permitted. I happen to be on the other side. I go along with the opinion of the late Shaikh Mustafa al Zarka (died July 1999) who argued that insurance is a new contract that does not violate any of the Shari'ah rules and principles and it is permissible. It is permissible to work for an insurance company too. I think your working for the accounting of this company is permissible InShaAllah.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

From: Azmi

Sent: Friday, July 30, 2004 8:47 AM

Salams. Jezakallah for your help

I still want clarify certain issues regarding this. According IslamOnline late Shaikh Mustafa al Zarka says "Insurance is permitted whether it is mutual, commercial or other kinds of insurances PROVIDED THAT THE CONTRACT DOES NOT INCLUDE AN INTEREST CLAUSE and the object of insurance is permissible in Shari'ah"

But the particular company (Norwich Union) which we are outsourcing accounting functions has clauses pertaining interest (we do not have any relationship to this other than post recording or data processing). Is it still permissible?

Looking forward your kind reply

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Azmi

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Only certain kinds of life insurance policies are partially interest-based. All other insurances are not interest-based. If the major part of its activities is not interest-based it is still permissible to work for it or in it. What is prohibited with regard to interest is to take it, give it or be a writer or a witness to its contract.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Working as Broker in Insurance Business**

From: Islam on line

Sent: Saturday, March 06, 2004 12:56 AM

Name of Questioner Muhammed Gender Male Age 31-45

Education Post Graduate

country of Origin Pakistan country of Residence Canada

Question

Brother Manzar Assalam o allaikum. Thank you for your guidance. May Allah bless you. I still have a small doubt. In the Insurance business, if a customer pays the full premium then there is no interest otherwise the Insurance company charges some interest for monthly payment plan. About 99% of the customers take monthly plan and pays interest. Do you think still this business can be done as a broker?

Notes

This is a bit urgent. Thank you

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Mohammed

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I still think that working as a broker is permissible as long as you do not take part in writing the interest part of it. Besides to my knowledge, the difference between

monthly installments and one yearly payment is not usually written as interest although it is calculated on interest basis. If so even offering the choice by you becomes permissible because it is permissible to have a difference between cash payment and installments when the contract is made even if this difference is calculated on the basis of interest as long as the contract is not made on cash basis and interest added to make installments

Wa Allahu A'lam,  
Wa al Hamdu li Allahi Rabbi al 'Alamin,  
Wa Assalam,  
Sincerely,  
Dr. Monzer Kahf

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## Money paid by Insurance Companies

### **SUBJECT: Is That Money Halal for Us?**

From: Islam on line

Sent: Thursday, September 09, 2004 1:14 AM

Name of Questioner - - - Gender Female Age 31-45

Education Graduate

country of Origin Pakistan country of Residence United Kingdom

Question

My brother has died. He worked for the Civil Service in the UK. He signed up for a sum of money to be paid to his family if ever he died as it is workplace procedure to do so I think. Is that money Halal? Please answer in detail mentioning the evidence as I need a detailed answer. Please go on with publishing if u want  
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi

Ajma'in

Dear Sr.

This money is Halal for the heirs of the deceased brother. If the money is paid directly from the employer account, it must have been part of the employment benefit, many employers have such a system. It is like part of the salary of the deceased paid after death, it is Halal. If the money is paid from a special fund run by the employer, it is also a fringe benefit to employment; it may be contributed to by the deceased and by the employer together or by the employer only, it is also Halal on the same ground. If it is paid from an insurance company, directly to you or through the employer, it is usually a result of a collective insurance policy on the lives of the employees, it is not interest based, and Insurance, when not interest-based, is permissible (there are people who argue against insurance but I believe in its permissibility in following the late Shaikh Mustafa al Zarka). It is also Halal  
InShaAllah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,  
Dr. Monzer Kahf

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**SUBJECT: Question on insurance compensation**

From: Hossam

Sent: Friday, July 23, 2004 1:41 PM

alamu aliukum Dr Monzer

May Allah SWT reward you for all the time you spend helping Muslims with questions. I am writing on behalf of Br Muhammad (CCD) who asked me a question after Jumma today, which I thought to forward you, and learn from the answer as well.

Basically Muhammad was hit by a car. The accident broke his leg. He is considering seeking damage compensation from the person who hit him. His question is what are the allowable limits of such compensations?

There are the following categories currently being considered:

- 1- Compensation for the medical bills that are now being charged to Muhammad, specially ones that his insurance will not pay
- 2- Compensation for time that he was unable to work and therefore could not make money at that time (a new job that he was about to start but had to delay)
- 3- Compensation for the pains and injuries that the accident caused
- 4- Any others ...

Please explain to us the limits of seeking such compensations in the US while following the Islamic guidelines.

May Allah reward you

Hossam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi

wa Ashabihi

Ajma'in

Dear Br. Hossam,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I hope every thing is fine with you, it has been such a long time I haven't heard from you. This issue of damage compensation is flexible. May Shari'ah jurists argue that only the actual material damage caused to the injured is compensatable and many others add the psychological harm (pain, trauma, anxiety and worrisome) caused to the injured and to the injured family members. The Jordanian civil law that was enacted in the mid 1970's and derived from the Islamic Shari'ah adopted the latter view. The amount is, certainly, socially determined. Accordingly, if we take the position of the Jordanian Law, all three damages that you mentioned are compensatable and even a little more, namely: all medical bill including those paid by the insurance company (their distribution later depends on the agreement between the

Insurance company and the injured), income lost for not being able to go to work as a result of the injury provided the court accepts it, pain, psychological trauma and sufferance caused to the injured and to her/his family members and care takers,  
Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin  
Wassalam  
Sincerely,  
Dr. Monzer Kahf  
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**SUBJECT: False statement to insurance in Car Accident**

From: Islam on line

Sent: Monday, August 16, 2004 2:18 AM

Question

alsalamualaikum I apologize for writing lengthy details but I am very distressed of this incident and want to correct it as soon as possible. Few years ago while visiting my parents who used to live in an Arabian Gulf state, I had a car accident while traveling with my father and brother I was sitting in the front seat next to my brother who was the driver we stopped at the traffic light junction in the city highway, and when the light turned green my brother started the car and turned left not noticing that the light is green forward only and not to the left hand side and not noticing that a car is coming at a high speed on the road crossing with the road we are on. alHamduLillah no one was injured, but our car and the other car were severely damaged. The other driver who is a native citizen started saying that we crossed red light but my

brother denied that (he in fact didn't know that he crossed the red light) and I kept silent the other driver then offered that no need to write any accident report and every one of us can pay for the repair of his car, but the police and ambulance arrived and a provisional report was written and both the sides didn't remember the story very well, but I still remember that we are at fault because my parents had a diplomatic status, we didn't have to attend any court hearing or give a statement under oath, but only signed a written statement and sent it to the police.

Unfortunately I signed that we moved when the traffic light turned green and then had the accident (which is partly right, but does not say that it was green foreword not to the left side) the other driver didn't attend any court hearing and took his car off the accident scene

before police inspection, and this allowed my parents to win the claim, and the insurance of the other driver paid us equivalent to 1800\$ we knew from the police that the other driver who was in his twenties was involved in a few speeding accidents and he might be involved in drug abuse, but I am confident that the fault in this accident was my brothers and not the other person. I kept silent for over three years because I was a student and didn't have any financial ability to pay back the cost of repair, but AlHamduLillah I can do that now as I started working. (I discussed this with my parents who thought that he was driving dangerously and he had accidents in the past, and in the first place he offered that everyone can repair his car on his own) the question is what should I do is it enough to contact that person and tell him the plain truth and ask for forgiveness offering financial compensation. or should I contact his insurance company and say that he was not at fault offering to pay back the insurance compensation or should I contact the police to change my statement, despite the fact that this occurred 3 to 4 years ago or is there any other solution or combination of the above for repentance of this false evidence (yameen ghamoos. Unfortunately my parents still think that the money we took is from the insurance company not from that person, and as he said in the beginning there is no need for police involvement and every party can pay for their own car repair, then



there is no problem in what we did note that I am now in a different country, but still have contacts in that country where the accident occurred. jazakumallah khairan  
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Even after a few years, your false statement must be retracted and withdrawn. You don't have to go to court or police reports unless the other party needs it to clear his name. You need to contact the other party and the insurance company that paid the amount. Personally you are not required to pay back the amount unless you are the one who took it at the time of settlement. If your father or brother took the amount, you may still volunteer to pay it back on their behalf. It seems that the desire of the other party to "each one takes care of his car" was to avoid police because of his previous records. But that is not an excuse to make injustice to him this time.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Khames

Sent: Wednesday, August 18, 2004 9:49 AM

Selamon aleikom

Can you please tell me what is the basis on which both opinions stand, e.g., Hadith or previous Fatwas by other scholars.

jazakom allah khairan

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Khames

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The basis of these two opinions is the several Ahadith that prevent causing injury and put the charge on the injurer for the damage caused to the injured. (of course we are talking about civil liability; criminal injuries require punishment in addition to compensating for the damage). The definition of what is the injury is opinionated, as there is no specific definition in any of the Sayings. Hence, some people expand its meaning and some others shrink it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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**SUBJECT: Employer payment at death**

From: Islam on line

Sent: Thursday, September 09, 2004 1:14 AM

Name of Questioner - - - Gender Female Age 31-45

Education Graduate

country of Origin Pakistan country of Residence United Kingdom

Question

My brother has died. He worked for the Civil Service in the UK. He signed up for a sum of money to be paid to his family if ever he died as it is workplace procedure to do so I think. Is that money Halal? Please answer in detail mentioning the evidence as I need a detailed answer. Please go on with publishing if u want

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr.

This money is Halal for the heirs of the deceased brother. If the money is paid directly from the employer account, it must be part of the employment benefit, many employers have such a system. it is like part of the salary of the deceased paid after death, it is Halal. If the money is paid from a special fund run by the employer, it is also a fringe benefit to employment; it may be contributed to by the deceased and by the employer together or by the employer only, it is also Halal on the same ground. If it is paid from an insurance company, directly to you or through the employer, it is usually a result of a collective insurance policy on the lives of the employees, it is not interest based, and Insurance, when not interest-based, is permissible (there are people who argue against insurance but I believe in its permissibiity in following the late Shaikh Mustafa al Zarka). It is also Halal InShaAllah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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